TRANSPORTATION PARTNERSHIPS FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2007

Provincial Auditor Saskatchewan

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Transportation Partnerships Fund as at March 31, 2007 and the statements of revenue, expenses, and changes in net assets, and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Transportation Partnerships Fund as at March 31, 2007 and the results of its operations, the changes in net assets, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
July 6, 2007

Fred Wendel, CMA, CA
Provincial Auditor

TRANSPORTATION PARTNERSHIPS FUND
STATEMENT OF FINANCIAL POSITION
As at March 31

	2007	2006
Assets		
Current Assets:		
Due from General Revenue Fund (Note 3)	$ 9,265,818	$ 3,420,012
Accounts Receivable	1,336,159	2,962,999
	$ 10,601,977	$ 6,383,011
Long Term Assets:		
Loans Receivable Less Concessionary Allowance (Note 6)	750,342	706,976
	$ 11,352,319	$ 7,089,987
Liabilities and net assets		
Current Liabilities:		
Accounts Payable	$ 150,596	$ 6,352
Deferred Revenue	17,429	-
Net Assets (Statement 2)	$ 11,184,294	$ 7,083,635

(See accompanying notes to financial statements)

TRANSPORTATION PARTNERSHIPS FUND
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
For The Year Ending March 31

	2007	2006
Revenue		
Transportation Partnerships Agreements	$ 4,668,574	$ 4,085,518
Sale of Technology	22,250	39,190
Interest Revenue (Note 3)	266,472	108,790
Transfer from Department of Industry & Resources (Note 4)	1,219,794	-
Short-Line Railway Payments	19,680	3,500
Amortization of Loan Discount (Note 6)	43,366	44,686
Total Revenue	$ 6,240,136	$ 4,281,684
Expenses		
Highway Improvement Projects (Note 4)	$ 2,033,713	$ 1,890,861
General Transfers	41,798	44,022
Manufacturing Costs	13,966	30,249
Administrative Expenses (Note 4)	50,000	50,000
Total Expense	$ 2,139,477	$ 2,015,132
Surplus for the year	$ 4,100,659	$ 2,266,552
Net Assets, beginning of year (Note 5)	7,083,635	4,817,083
Net Assets, end of year (Statement 1) (Note 5)	$ 11,184,294	$ 7,083,635

(See accompanying notes to financial statements)

TRANSPORTATION PARTNERSHIPS FUND
STATEMENT OF CASH FLOWS
For the Year Ended March 31

	2007	2006
Cash flows from (Used in) operating activities:		
Cash Receipts From Transportation Companies	$ 6,378,988	$ 1,464,273
Cash Receipts From Technology Sales	22,250	39,190
Cash Receipts From Short-Line Railways	2,252	3,500
Interest Received	217,755	99,001
Transfer from Department of Industry & Resources	1,219,794	-
Cash Paid For Highway Improvement Projects	(1,889,469)	(1,915,667)
Cash Paid For Manufacturing Costs	(13,966)	(30,249)
Cash Paid to Short-Line Railway	-	(120,000)
Cash General Transfers	(41,798)	-
Cash Paid For Administration	(50,000)	(50,000)
Net increase (decrease) in cash	5,845,806	(509,952)
Due From General Revenue Fund, beginning of year	3,420,012	3,929,964
Due From General Revenue Fund, end of year	$ 9,265,818	$ 3,420,012

(See accompanying notes to financial statements)

TRANSPORTATION PARTNERSHIPS FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2007

1. Authority and Definition of Entity

The Transportation Partnerships Fund was established effective July 1, 1997 pursuant to Section 8 of *The Highways and Transportation Act, 1997*. The purpose of the Fund is to generate revenues to be used for highway improvement projects. The Transportation Partnerships Fund generates revenues subject to the terms of trucking partnership agreements, in which the transportation companies pay the Fund a portion of cost savings achieved from being able to haul overweight and/or over dimension loads. Additional revenues are raised through the marketing of transportation related technology and expertise.

2. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board. The following accounting principles are considered significant.

a) Revenue recognition –
i) Transportation Partnerships Agreement revenue - recognized in the period the truck haul savings are realized.
ii) Transfers are recognized as revenue when the Fund has met the eligibility criteria, if any and a reasonable estimate of the amount can be made.

b) Use of estimates-
These statements are prepared in conformity with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

3. Due from General Revenue Fund

Cash and cash equivalents consist of amounts on deposit with the General Revenue Fund. The monies of the Transportation Partnerships Fund are deposited in the General Revenue Fund. Under this arrangement, earned interest is calculated and paid by the General Revenue Fund on a quarterly basis using the Government's thirty day borrowing rate and the Transportation Partnerships Fund's average daily bank account balance. The effective interest in the year was 4.15% (2006 – 2.82%).

4. Related Party Transactions

All Government of Saskatchewan agencies such as departments, corporations, boards and commissions are related as they are controlled by the Government. These financial

statements include transactions with other Government agencies. These transactions are in the normal course of operations and are recorded at agreed upon exchange amounts.

During the year, the Fund was charged $50,000 (2006- $50,000) by the Department of Highways and Transportation for salary and administrative expenses.

Transportation Partnerships Agreements Revenues include $138,108 (2006 - $123,068), from SaskPower, pursuant to a transportation partnership agreement between the Fund and SaskPower. At year-end SaskPower owed the Fund $32,183 (2006 - $25,000).

Transportation Partnerships Agreements Revenues include $0 (2006 - $17,884), from Meadow Lake Limited Partnership, pursuant to a transportation partnership agreement between the Fund and Meadow Lake Limited Partnership.

Transfer from Department of Industry & Resources Revenues include $1,219,794 (2006 - $0), pursuant to OC202/2007 relating to highway improvements.

The Fund earned interest income of $266,472 (2006 - $108,790) on monies deposited in the General Revenue Fund. At year-end, the Fund had monies deposited in the General Revenue Fund totaling $9,265,818 (2006 - $3,420,012).

Highway improvement projects undertaken by the Fund are betterments to assets of the Department of Highways and Transportation. Projects of a capital nature are transferred by the Fund to the department. The department records and amortizes these assets based on department capitalization policies and thresholds

5. Prior Period Adjustment

In 2001-02, the Fund received $3,156,533 from the Department of Highways and Transportation. The funding will be used to provide financial assistance for eligible Short Line Railways and to improve the transportation infrastructure in Saskatchewan. All monies once repaid and monies not loaned to short line companies will be invested in infrastructure projects.

In 2006-07, the Fund adopted accounting principles as recommended by the Public Sector Accounting Board. The change in accounting principles resulted in a retroactive increase to prior year net assets of $3,156,533 to recognize revenue previously deferred for Short Line Railways assistance to conform to accounting principles adopted for the current year.

6. Loans Receivable

The Fund provided no loans in 2007 (2006 loans - $120,000; total loans advanced to date - $1 million) for financial assistance to an eligible Short Line Railway company under *The Railway Line (Short Line) Financial Assistance Regulations*. The loans are interest free and to be paid back over 15 years, with the first repayment due in the fourth year.

The loans are accounted for as a discounted loan on the Statement of Financial Position. In 2006, due to the concessionary nature of the loan, the Fund recognized $40,133 as the grant portion of the total loan advanced based on an interest rate of

4.625%. A concessionary allowance has been recorded which will be amortized on a straight-line basis to revenue over the term of the loan. Total concessionary allowance balance is $249,658 (2006 - $293,024).

No valuation allowance was established in the current year. An allowance will be recorded if at any point the loan is not considered payable in full.

7. Comparison of Planned and Actual Results

	Budget	Actual	Variance
REVENUE			
Transportation Partnership Agreements	$ 4,600,000	$ 4,686,002	$ 86,002
Other Revenue	56,000	67,868	11,868
Revenues from the GRF	0	1,219,794	1,219,794
Interest Revenue	52,000	266,472	214,472
	$ 4,708,000	$ 6,240,136	$ 1,532,136
EXPENSE			
Road Expenses	$ 2,570,000	$ 2,033,713	$ (536,287)
General Transfers	0	41,798	41,798
Other Transportation Initiatives	12,000	13,966	1,966
Administrative Expenses	50,000	50,000	0
	$ 2,632,000	$ 2,139,477	$ (492,523)
SURPLUS FOR THE YEAR	$ 2,076,000	$ 4,100,659	$ 2,024,659